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# PLANNING INTER-INDUSTRY RELATIONSHIPS IN THE USSR

In addition to material balances, the state plan of supply contains distribution plans which are also drawn up for every item of "funded" production. These distribution plans allocate by ministry and office the same products which in the material balance sheets are allocated in accordance with their ultimate destination, viz., production, construction, reserves, etc.

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The Soviet government is thus directly engaged in distributing all the most important kinds of industrial and agricultural production which are essential for the material and technical supply of the national economy. This it does, not only by determining the ultimate utilization of a particular product but also, by specifying the exact quantity and assortment of goods which each ministry and office is to receive.

At the present stage of Soviet social development, when a gradual transition from socialism to communism is taking place, problems of planning and organizing the material and technical supply of industry acquire a particularly great significance. Expanding production, increased interdependence between various branches of production, regional distribution of production and consumption, the need of increasing economies in production, reduction of turnover expenditures -- all these problems have placed before the socialist state new tasks in the domain of national economic supply, and have made it necessary to improve planning and organization of supply.

The development of material balance sheets is one of the basic methods of socialist planning. All branches of the USSR national economy are closely related to one another and operate on the basis of a single state plan. Every branch of industry has to reproduce its fixed assets and working capital, and its products will be used either as means of production or personal consumption. It follows that the production process requires the establishment of close relationships between the various branches of the national economy.

The rapid tempo of technological progress, which is characteristic of the USSR national economic development, leads to greater dependence of all branches of the national economy upon machine building.

An important consumer of machinery is the machine-building industry itself -- the machine-tool industry, heavy machine building, agricultural machinery industry, automobile industry, etc. With the growth of mechanization, the coal industry, the petroleum industry, the peat industry, the timber industry, etc., become more and more dependent upon the use of machinery. Likewise, the dependence of the construction industry upon machine building has greatly increased and is still on the increase.

In so far as they affect the reproduction of working capital, inter-industry relationships in the USSR are manifold and complex. Thus, the most important consumer of rolled metal is the machine-building industry. A considerable part of rolled metal is consumed by the metallurgical industry for further processing. The Construction industry and railroad transport are also large consumers of metal.

The basic consumers of electricity are ferrous and nonferrous metallurgy, the chemical industry, the coal and petroleum industries, the textile industry, and the construction materials industry. On the other hand, electric power stations are among the basic consumers of fuel.

The technical reconstruction of agriculture resulted in a greater interdependence between industry and agriculture. Thus, agriculture occupies a dominant place in the utilization of tractors and locomobiles, and it also uses a large number of trucks, bearing, and great amounts of fuel.

These interindustry relationships have a quantitative expression. Thus, the smelting of a given amount of pig iron requires a definite amount of ore and coke. The output of a required amount of electricity necessitates the expenditure of a determinate amount of fuel. The production of a fixed amount of metallurgical equipment requires a definite amount of metal of a certain type and quality; the production of metal, in its turn, requires a definite amount of equipment. Coal mining, metal, smelting, etc., require electricity; output of electricity, in its turn, requires coal, metal, equipment, etc.

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The function of the material balance sheets is to determine the relationship within the national economy between production and construction, to establish adequate rates of development for individual branches of industry, and to ascertain possible resources and their distribution among the various branches of production. In the process of balancing resources and requirements it becomes possible to uncover the "bottlenecks" in the national economy, and to overcome the lack of coordination between individual sectors of production.

Every material balance sheet consists of two parts: resources and allocation. For 1950 the following scheme for making out material balance sheets has been adopted:

<u>Total Resources</u>	<u>Total Allocation</u>
1. Production -- amounts per producer	1. Production -- exploitation needs
2. Imports	2. Construction
3. Transfer from state reserves	3. Imports for internal needs
4. Balance remaining with suppliers at year beginning quarter -- amounts per supplier	4. Marketable stocks
	5. Exports
	6. State reserves
	7. Balance remaining with suppliers at year end (quarter) -- amounts per supplier

There is a close interdependence between the various material balance sheets. Thus, the balance sheets of equipment determine the resources and distribution of the various products of the machine building industry. Machine-building ministries appear in these balances as producers, i.e., are included in the "Resources" column of the balance sheet. At the same time, in the balance sheet of metals these same ministries appear as consumers and, consequently are included in the "Allocation" column of the balance sheet. Likewise ferrous metallurgy, which is the basic source of "Resources" in the balance sheet of metals, appears as one of the principal consumers in the balance sheet of coal. The coal industry, which is the basic source of "Resources" in the balance sheet of coal, appears as one of the principal consumers in the balance sheets of timber, electricity, rails, etc.

It is obvious that, in all these instances, a unified scheme of computation has to be followed to make sure that if, for example, the "Resources" column of the aluminum balance sheet provides for a definite volume of production, the expenditure of electricity, as shown in the balance sheet of electricity, is capable of taking care of the aluminum production. Volume of production is thus the most essential item in every balance sheet of materials, since that volume of production not only determines the resources of a given commodity, but also serves as a reference point for computing the requirements of each branch of industry for the products of every other branch of industry.

In a socialist system of economy, the allocation of material resources takes place in accordance with the state plan of material supply. The material balance sheets are an essential part of that plan.

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